ROLE OF MSMEs IN EMPLOYMENT GENERATION IN INDIA: A STUDY OF SHOE CLUSTER IN AGRA DISTRICT

A
SYNOPSIS
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1. INTRODUCTION

Micro, Small & Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only plays crucial role in providing large employment opportunities to the huge population of India at comparatively lower capital cost. This sector contributes enormously to the socio-economic development of the country. Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The present ceilings on investment for enterprises to be classified as micro, small and medium enterprises table 1 are as follows:

Table 1: Defination of Micro, Small & Medium Enterprises

Type of Enterprise	Manufacturing Enterprises*	Service Enterprises**
Micro enterprise	Does not exceed twenty five lakh rupees	Does not exceed ten lakh rupees
Small enterprise	More than twenty five lakh rupees but does not exceed five crore rupees	More than ten lakh rupees but does not exceed two crore rupees
Medium enterprise	More than five crore rupees but does not exceed ten crore rupees	More than two crore rupees but does not exceed five core rupees

Source: msme.gov.in *Investment in Plant & Machinery**Investment in Equipment

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

The programmes undertaken by the Ministry and its organizations seek to facilitate: i) adequate flow of credit from financial institutions/banks; ii) support for technology upgradation and modernization; iii) integrated infrastructural facilities; iv) modern testing facilities and quality certification; v) access to modern management practices; vi) entrepreneurship development and skill upgradation through appropriate training facilities; vii) support for product development, design intervention and packaging; viii) welfare of artisans and workers; ix) assistance for better

access to domestic and export markets and x) cluster-wise measures to promote capacity-building and empowerment of the units and their collectives.

The role of micro, small & medium enterprises (MSMEs) in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries (Srinivas, K. T., 2013).

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises. The sector has a high growth potential and performs a critical role in the manufacturing. Micro, small & medium enterprises (MSME) sector is characterized by low investment requirement, operational flexibility and location wise mobility.

The estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 lakh; and the share of MSMEs in India's total export for the year 2014-15 was 44.70 per cent, the Parliament was informed (Mishra, K., 2015).

In this perspective, employment generation has been one of the important objectives of development planning in India. The problem of employment is closely interlinked with the eradication of poverty. There are three main aspects of the employment problem in India. They are the problem of proportion of labour to total population, problem of productivity of labour and problem of unemployment of labour. These three aspects are interrelated. Problem of unemployment and underemployment is the chronic feature of the Indian economy which is the main cause of poverty in India. Unemployment in India is mostly structural. The rate of unemployment is different in different states. Sector wise unemployment in India is rural and urban unemployment.

Employment generation is for millions of youths coming out of institutes of higher learning. The trends in the employment scenario offer two specific insights to policymakers for accelerating job creation in the Indian economy. First, high economic growth alone is not sufficient for creating jobs. Second, appropriate policies will have to complement high growth for facilitating the required job creation in the manufacturing and services. Country like India, where mixed economic system exists, that is where State and Private entrepreneurship coexist, the small industrial sectors and business are left in the hands of private entrepreneurs.

The major benefit for MSMEs is the reservation policy, which reserves certain items, for exclusive manufacture by these enterprises, thus, protecting their interests, as well as providing impetus to the society by generating employment opportunities. Some of the major advantages from the MSME are that all the banks and other financial institutions recognize MSMEs and have created special schemes for them. This usually includes priority sector lending, which means that the likelihood of your business being sanctioned a loan is high, and lower bank interest rates. There may also be preferential treatment in case of delay in repayment. Depending on the business, the company may enjoy an excise exemption scheme as well as exemption from certain direct taxes in the initial years of the business which acts as tax benefits. Most of the states offer those who've registered under the MSMED Act subsidies on power, taxes and entry to state-run industrial estates. In particular, there is a sales tax exemption in most states and purchase preference on goods produced which is a benefit from State Governments. And lastly, the central government, from time to time, announces schemes to benefit MSMEs.

2. SHOE INDUSTRY IN INDIA

India is the second largest footwear producer in the world, with footwear production accounting for approximately 9 per cent of the global annual production 22 billion pairs as compared to China, which produces over 60 per cent of the global production. India annually produces 2.1 billion pairs of which 90 per cent are consumed internally while remaining are exported primarily to European nations which include United Kingdom, Germany, USA, Italy and

France, as per market analysts. Footwear exports from India have grown during the last five year backed by growing demand from European nations and increasing focus of main importing countries to shift sourcing from China to other low cost producing countries Sen, P.,(2016).

The growth in Indian fashion and lifestyle market has given an impetus to the footwear industry as well. From a basic need-based industry, it has become an evolving fashion and style category. The rural market of India is still largely untapped for footwear manufacturers. Companies are re-positioning themselves and launching specific products and price ranges to expand their presence and increase their consumer base in rural areas. The following figure shows the MSME clusters in India mainly on rank and dominance basis.

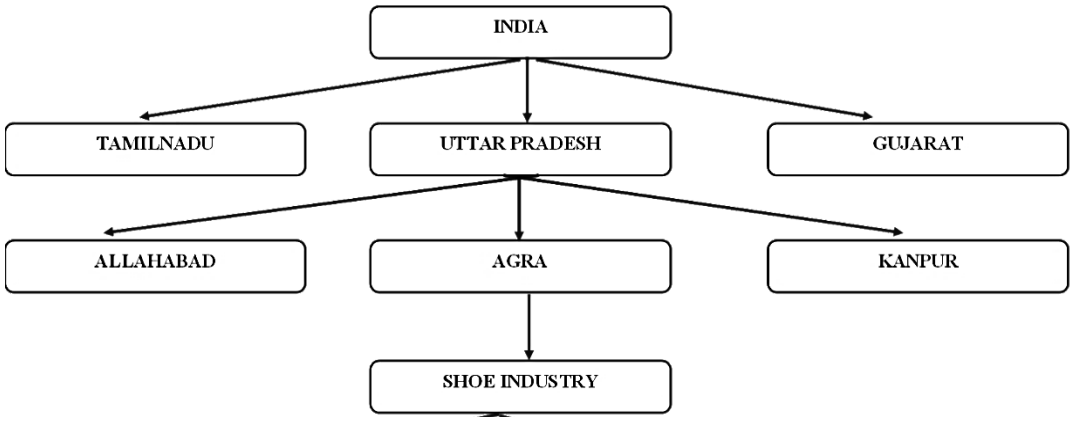

Figure 1:- Exhibiting MSME clusters in India

MSME is one of the most dynamic sectors of the Indian economy in terms of employment generation and providing strong entrepreneurial base. This sector plays a significant part in the social and economic development of the country. The categorization of MSME is at every level but the top three MSME clusters are Tamil Nadu, Gujarat and Uttar Pradesh respectively. Each cluster has further sub-divided clusters which are at state level and those states have small working sectors. Here, Uttar Pradesh is third in rank but first amongst the Northern region to have a large number of MSMEs. The highest amongst the sub-divided cluster is Agra with seventy six clusters and is highly dominated by shoe industry, which mainly contributes for the Indian economy.

3. PRESENT STATE OF KNOWLEDGE

For knowing the present state of knowledge and research work, the researcher has reviewed the following**:**

S.No	Title	Authors	Objective	Findings
1.	Micro, Small And Medium Enterprises: At Glance	Ministry of Micro, Small and Medium Enterprises (2016)	To reflect the real picture of MSME industry	This report provides the current scenario of MSME industry
2.	Role of SME's in Indian Economy	Vashisht, A., Chaudhary, A., &Priyanka. (2016)	To study the role of SMEs in India with a prospective outlook into their future.	The paper explains about the challenges, opportunities and the schemes of SMEs in India with a characteristic of the Indian economy allowing complementary existence for various diverse types of units.
3.	Role of MSMEs in Economic Growth of India	Farajollahzadeh, *G.*, Noorinasab, R. A., &Yazdanpanah, B. (2016)	To examine the growth and contribution of MSMEs in India	The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can be ahead of USA and China in the coming years.
4.	Role Of MSMEs in the Growth of Indian Economy	Syal, S., (2015)	This paper enlightens the growth of MSMES and outlines the opportunities available for the MSMES in the Indian economy	The paper concludes that MSMEs in the Indian Economy have shown tremendous growth and performance with the contribution of policy framework.
5.	Role of Micro, Small Enterprises in Employment Generation in Vidarbha Region	Chapke, S.G (2015)	To study relationship between the MSMEs and employment generated in Vidarbha region	The study determines a high degree positive correlation between establishment of micro and small enterprises and employment generated
6.	The Role Of SMEs in Employment Creation and Economic Growth in	Katua, N.T. (2014)	To explore the roles of the SMEs in economic development and employment generation and the challenges faced by	The study determines some recommendations that will help in increasing the contribution of SMEs to economic growth and employment creation.

S.No	Title	Authors	Objective	Findings
	Selected Countries		the SME sector broadly.	
7.	Management Of HRD Requirements - A Case Study Of Indian Footwear Industry.	Vanimireddy, S.R., K, Subashini., K, Harish. (2014)	To study the exports growth, global markets, present employment, employment required per unit and further estimates on the growth of exports and domestic markets.	The study reveals the production capacities, structure of industry, exports growth, global imports, per capita consumption and estimates of Human Resources future requirements in footwear industry in India.
8.	Impact Of Export Finance On Agra Shoe Industry	Sharma, S. (2014)	To know the impact of Export Finance on Agra Shoe Industry	The study states that it is vital to export and earn foreign exchange in order to pay for imports of machinery, material, technology etc. for producing export goods
9.	MSMEs and Employment in India: an analytical study	Pujar, U. (2014)	The main objective of the present study is to analyze the role of MSME sectors in generating employment in India.	The study explains that the enterprises are labour intensive and require less capital, helps in eradicating socio-economic problems.
10.	Role Of Micro, Small And Medium Enterprises In Inclusive Growth	Srinivas, K. T., (2013)	To study the role of small, micro and medium enterprises in inclusive growth of Indian economy.	The findings of the study states that micro, Small and Medium enterprises (MSMEs) have been acknowledged as the engine of economic acceleration and for promoting unbiased progress. The finest benefit of this sector is employment generation for the development of Indian economy by increasing of standard of living of the people.
11.	A Study On The Leather Shoe Industry In Tamil Nadu	Mohammed, K., A (2005)	To analyze the production and marketing performance of the leather shoe industry in Tamil Nadu.	The study explains the performance of the study units based on the new Economic policy. These policies could contribute something towards the marketing and personnel practices of leather shoe units but they could not assist in production as

S.No	Title	Authors	Objective	Findings
				well as financial aspects of the study units.
12.	The Role Of Small And Medium Scale Enterprises In Poverty Reduction In Nigeria: 2001 – 2011	Oba, U.O.,Onuoha, B.C. (2013)	It is aimed at finding out the extent to which small and medium scale enterprises, through their employment activities, helped to address poverty reduction.	The paper makes policy recommendations in the short term, medium term, and in the longer term. The study also explains that growth is broad based as it makes sectorial growth and contribute to overall growth over and above the direct contribution to total GDP growth.
13.	An Analysis Of The Current Status Of The Footwear Industry In Sri Lanka	W.M.T.P.J Fernando, H.P.E.U. Jayathilake, P.D.P.Y. Mahindaratne and H.K.G. Punchihewa. (n.d)	To focus on the local footwear industry with an emphasis on the technological aspects.	The study investigates industrial organization with the help of SWOT analysis and also explains the hierarchical clustering of the Footwear Manufacturing Industries according to the number of employees.
14.	Analysis Of Major Factors Impacting The Footwear Export Of Pakistan	Rafiq, U. (n.d)	To evaluate factors that have a significant impact on footwear export of Pakistan.	The findings of the study were on the years of qualification, export experience, ISO certifications, average raw material price, international trade exhibitions were highly significant for footwear export of Pakistan whereas average marketing cost was insignificant factors for footwear export.
15.	Employment generation in small scale industries a case study of Kurnool district	Rao,S.H (2002)	To study employment level in small scale industries.	The study states that the small scale sector has been contributing to the economic development of India.

4. GAP OF THE STUDY

The researcher has reviewed various researches which have been done in the field of MSME. But no study is found in the Northern area regarding employment generation and more specifically about Agra shoe cluster. Several studies have been conducted by various researchers on different economic issues of MSMEs like growth, GDP, export etc. Some studies also took place regarding employment generation in Southern Region where the economic conditions are entirely different in respect to the growth of MSME. Moreover, no study has been done on the role of MSME in employment generation of shoe industry of Agra which could be a great contributor for the future researches and planning policy framework of India.

5. NEED OF THE STUDY

In a developing country like India unemployment is a major issue which affects the overall growth of a country. It is a major element of socio-economic status of any country. MSME sector contributes in the employment status of India a lot because it suits the weaknesses of the Indian economy like- lack of capital, less technology and lack of well-developed infrastructure etc. Due to these reasons, it is important to study the role of MSME sector in employment generation.

6. OBJECTIVES OF THE STUDY

- To analyse the contribution of MSME sector on employment level in India.
- To study the profile and performance of shoe industry under MSME sector in Agra District**.**
- To identify the factors responsible for employment generation and its effects.
- To suggest an action plan for MSME in increasing job opportunities in Agra shoe industry.

7. RESEARCH DESIGN & METHODOLOGY

7.1 SCOPE OF STUDY

For the proposed study, the researcher will study about the overall performance of the shoe industry with respect to employment generation. This research study is analytical in nature. The various purposeful areas like job creation, career opportunities, employee training, employee career development etc. will be analyzed.

7.2 HYPOTHESES

The following hypotheses will be tested in proposed study

H_{o1}: There is no contribution of MSME at employment level in India

H_{o2}: There is no effect of Agra shoe industry on employment generation.

7.3 RESEARCH DESIGN

The research design adopted is as follows:-

PARAMETERS	SURVEY
1.Research Design	Analytical
2.Sampling Method	Random Sampling Method
3.Sample Size	357 Units
4.Sampling Area	Agra District
5.Research Approach	Field Survey, Internet Survey, Journals, Newspaper, Published records etc.
6.Research Instrument and Contact Method	Questionnaires filled through personal visit from shoe manufacturers, employees, workers and Interview with the concerned govt. officials.
7.Sampling Unit	Shoe Industry of Agra
8.Sample Element	Entrepreneurs, Employees, Workers of Shoe Industry
9.Data Collection	Primary and Secondary data
10.Data Analysis	Descriptive and Inferential statistics

7.4 PERIOD OF STUDY

The data for the study will be taken into consideration for the period 2007-2016.

7.5 SELECTION OF SAMPLE

The researcher will follow multi-stage sampling technique under Random Sampling Method for the selection of the sample of the study.

- This study includes MSME at national level to study its impact on employment generation. Uttar Pradesh is third (3^{rd}) in rank on having the maximum number of MSME units in the country and first (1^{st}) in the Northern region. Therefore, Uttar

Pradesh has been selected over here as the Universe of this study.

- On the basis of MSME-DI, Uttar Pradesh is classified into three (3) divisions named Agra, Allahabad and Kanpur. Allahabad has sixteen (16) MSME clusters and Kanpur has forty (40) MSME clusters and Agra is first which has seventy six (76) MSME clusters. Therefore, Agra is selected as the study area.
- The MSME-DI Agra cluster is dominated by Agra shoe industry. Therefore, this particular industry has been selected for the study reason/purpose.

The increasing demand for research has created a need for an efficient method of determining the sample size needed to be representative of a given population (Krejcie & Morgan, 1970) i.e. under the study, population of Agra shoe cluster have 5000 units and sample size will be 357 units.

7.6 COLLECTION OF DATA

I. PRIMARY DATA:-

For collecting primary data, the researcher will prepare a well-structured and dimension based Questionnaire for which the respondents will be shoe manufacturers, employees and workers for conducting extensive field survey. Apart from this, structured interviews will be conducted from the officials of the supporting institutional framework of MSME and shoe industry like- Micro, Small & Medium Enterprises (MSME),Central Footwear Training Institute(CFTI), Central Leather Research Institute(CLRI), Footwear Design & Development Institute (FDDI), Agra Footwear Manufacturers and Exporters Chamber (AFMEC), Agra Juta Laghu Udhyog Utpadan Samiti, etc.

II. SECONDARY DATA:-

The data for an overall view will be collected through secondary data sources like:-

1. Newspapers: Times of India, Hindustan Times etc.
2. Related websites: dcmsme.gov.in, msme.gov.in etc.
3. Different researches, published research papers, thesis, journals, articles etc.

7.7 ANALYSIS OF DATA

In this way the data will be collected from both primary and secondary sources and will be analyzed by various tools and techniques like trend analysis, factor analysis, etc. The analysis would be interpreted accordingly. Following table reveals the methodology to fulfill the objectives:-

Table 2: METHODOLOGY

S.NO	OBJECTIVES	DATA COLLECTION METHODS	ANALYTICAL TOOL
1.	To analyse the contribution of MSME sector on employment level in India.	Primary and secondary Data	Trend Analysis
2.	To study the profile and performance of shoe industry under MSME sector in Agra District**.**	Primary and secondary Data	Trend Analysis
3.	To identify the factors responsible for employment generation and its effects.	Primary and secondary Data	Factor analysis
4.	To suggest an action plan for MSME in increasing job opportunities in Agra shoe industry.	Primary and secondary Data	As per results of the study.

8. JUSTIFICATION OF THE STUDY

Shoe industry of Agra has a very significant place on India's international map of export and is also included in the latest EXIM Policy 2015-2020 of the government of India. Therefore, it can boost up the export as well as employment level. If we know the lacunas existing in it, it would be of great use for formation of policies due to its export potential and its employment generation capacity.

PROPOSED CHAPTER PLAN

Chapter 1: Introduction

- Overview of MSME
- Overview of employment generation under MSME in India

Chapter 2: Review of Literature and Research Methodology

- Review of Literature
- Research Gap of the study
- Need of the Study
- Objectives of the study
- Research Design
- Limitations

Chapter 3: Profile of Shoe Industry under MSME in Agra District.

Chapter 4: Data Analysis

Chapter 5: Findings, Conclusion and Suggestions

Annexure:

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